

Township of Thornapple
Barry County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2008

CONTENTS

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	4
Statement of activities	5
Fund financial statements:	
Balance sheet - governmental funds	6
Statement of revenues, expenditures, and changes in fund balances - governmental funds	7 - 8
Statement of net assets - proprietary funds	9
Statement of revenues, expenses, and changes in fund net assets - proprietary funds	10
Statement of cash flows - proprietary funds	11
Statement of fiduciary net assets - agency funds	12
Notes to financial statements	13 - 21
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule:	
General Fund	22
Fire Fund	23
Emergency Services Fund	24

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Thornapple, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Thornapple, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Thornapple, Michigan, as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Thornapple, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

August 5, 2008



1958-2008

BASIC FINANCIAL STATEMENTS

Township of Thornapple
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 1,030,442	\$ 95,557	\$ 1,125,999
Receivables, net	162,040	191,525	353,565
Internal balances	5,000	(5,000)	-
Total current assets	<u>1,197,482</u>	<u>282,082</u>	<u>1,479,564</u>
Noncurrent assets:			
Receivables	74,000	-	74,000
Capital assets not being depreciated - land	260,250	25,000	285,250
Capital assets being depreciated, net of accumulated depreciation	<u>2,980,633</u>	<u>613,214</u>	<u>3,593,847</u>
Total noncurrent assets	<u>3,314,883</u>	<u>638,214</u>	<u>3,953,097</u>
Total assets	<u>4,512,365</u>	<u>920,296</u>	<u>5,432,661</u>
LIABILITIES			
Current liabilities:			
Payables	151,202	2,494	153,696
Deferred revenue	-	34,585	34,585
Bonds payable	<u>225,000</u>	<u>-</u>	<u>225,000</u>
Total current liabilities	376,202	37,079	413,281
Noncurrent liabilities - bonds payable	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>
Total liabilities	<u>1,876,202</u>	<u>37,079</u>	<u>1,913,281</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,515,883	638,214	2,154,097
Restricted for:			
Cemetery expenditures	137,277	-	137,277
Public safety	210,715	-	210,715
Public works	52,722	-	52,722
Debt service	295,235	-	295,235
Unrestricted	<u>424,331</u>	<u>245,003</u>	<u>669,334</u>
Total net assets	<u>\$ 2,636,163</u>	<u>\$ 883,217</u>	<u>\$ 3,519,380</u>

See notes to the financial statements

Township of Thornapple
STATEMENT OF ACTIVITIES
Year ended March 31, 2008

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 9,937	\$ -	\$ -	\$ -
General government	436,896	100,384	-	-
Public safety	611,300	142,433	-	106,011
Public works	116,815	25,440	5,307	74,000
Community and economic development	64,740	5,040	-	-
Interest on long-term debt	<u>57,840</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>1,297,528</u>	<u>273,297</u>	<u>5,307</u>	<u>180,011</u>
Business-type activities:				
Ambulance	344,406	306,250	-	-
Sewer	<u>95,530</u>	<u>93,577</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>439,936</u>	<u>399,827</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,737,464</u>	<u>\$ 673,124</u>	<u>\$ 5,307</u>	<u>\$ 180,011</u>

General revenues:
Property taxes
State shared revenue
Unrestricted interest income
Other
Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (9,937)		\$ (9,937)
(336,512)		(336,512)
(362,856)		(362,856)
(12,068)		(12,068)
(59,700)		(59,700)
<u>(57,840)</u>		<u>(57,840)</u>
 <u>(838,913)</u>		 <u>(838,913)</u>
	\$ (38,156)	(38,156)
	<u>(1,953)</u>	<u>(1,953)</u>
	 <u>(40,109)</u>	 <u>(40,109)</u>
<u>(838,913)</u>	<u>(40,109)</u>	<u>(879,022)</u>
 865,040	-	865,040
271,041	-	271,041
38,553	1,161	39,714
6,376	-	6,376
<u>(72,003)</u>	<u>72,003</u>	<u>-</u>
 <u>1,109,007</u>	 <u>73,164</u>	 <u>1,182,171</u>
 270,094	33,055	303,149
<u>2,366,069</u>	<u>850,162</u>	<u>3,216,231</u>
 <u>\$ 2,636,163</u>	 <u>\$ 883,217</u>	 <u>\$ 3,519,380</u>

See notes to financial statements

Township of Thornapple
BALANCE SHEET - governmental funds
March 31, 2008

	Major funds			
	General	Fire	Debt Service	Emergency Services
ASSETS				
Cash	\$ 546,951	\$ 166,549	\$ 272,882	\$ 44,060
Receivables	146,355	38,950	22,353	28,382
Due from other funds	29,533	5,000	-	-
Total assets	\$ 722,839	\$ 210,499	\$ 295,235	\$ 72,442
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 85,509	\$ 42,693	\$ -	\$ -
Due to other funds	-	29,533	-	-
Deferred revenue	74,000	-	-	-
Total liabilities	159,509	72,226	-	-
Fund balances:				
Reserved for:				
Cemetery expenditures	137,277	-	-	-
Weed control expenditures	52,722	-	-	-
Unreserved, undesignated	373,331	138,273	295,235	72,442
Total fund balances	563,330	138,273	295,235	72,442
Total liabilities and fund balances	\$ 722,839	\$ 210,499	\$ 295,235	\$ 72,442

Total fund balances - all governmental funds

Amounts reported for *governmental activities* in the statement of net assets are different because:

Special assessments receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Expense accrual - interest payable

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities* (page 4)

***Total
governmental
funds***

\$ 1,030,442
236,040
34,533

\$ 1,301,015

\$ 128,202
29,533
74,000

231,735

137,277
52,722
879,281

1,069,280

\$ 1,301,015

\$ 1,069,280

74,000

3,240,883

(23,000)

(1,725,000)

\$ 2,636,163

See notes to the financial statements

Township of Thornapple

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2008

	Major funds			
	General	Fire	Debt Service	Emergency Services
REVENUES				
Property taxes	\$ 307,982	\$ -	\$ 278,903	\$ 366,031
State grants	276,348	-	-	-
Federal grants	-	106,011	-	-
Charges for services	17,548	140,780	-	-
Interest and rentals	27,970	1,849	8,505	229
Other	26,136	6,803	-	530
Total revenues	<u>655,984</u>	<u>255,443</u>	<u>287,408</u>	<u>366,790</u>
EXPENDITURES				
Legislative	9,937	-	-	-
General government	400,092	-	250	7,108
Public safety	-	423,484	-	-
Public works	190,507	-	-	-
Community and economic development	64,740	-	-	-
Capital outlay	16,159	70,899	-	22,132
Debt service:				
Principal	-	-	200,000	-
Interest	-	-	59,725	-
Total expenditures	<u>681,435</u>	<u>494,383</u>	<u>259,975</u>	<u>29,240</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(25,451)</u>	<u>(238,940)</u>	<u>27,433</u>	<u>337,550</u>
OTHER FINANCING SOURCES (USES)				
Transfer in - Emergency Services Fund	-	227,840	-	-
Transfer out - Fire Fund	-	-	-	(227,840)
Transfer out - Ambulance Fund	-	-	-	(72,003)
Total other financing sources (uses)	<u>-</u>	<u>227,840</u>	<u>-</u>	<u>(299,843)</u>
NET CHANGES IN FUND BALANCES	<u>(25,451)</u>	<u>(11,100)</u>	<u>27,433</u>	<u>37,707</u>
FUND BALANCES - BEGINNING	<u>588,781</u>	<u>149,373</u>	<u>267,802</u>	<u>34,735</u>
FUND BALANCES - ENDING	<u>\$ 563,330</u>	<u>\$ 138,273</u>	<u>\$ 295,235</u>	<u>\$ 72,442</u>

***Total
governmental
funds***

\$ 952,916
276,348
106,011
158,328
38,553
33,469

1,565,625

9,937
407,450
423,484
190,507
64,740
109,190

200,000
59,725

1,465,033

100,592

227,840
(227,840)
(72,003)

(72,003)

28,589

1,040,691

\$ 1,069,280

See notes to the financial statements

Township of Thornapple

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - *governmental funds* (Continued)**

Year ended March 31, 2008

Net change in fund balances - total governmental funds (page 7) \$ 28,589

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add - assets acquired	96,140
Deduct - provision for depreciation	(130,520)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the statement of net assets. 200,000

Because some special assessments will not be collected until subsequent periods, they are not considered available revenues and are deferred in the governmental funds.

Add - deferred special assessment revenues	74,000
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Decrease in accrued interest payable	<u>1,885</u>
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Change in net assets of <i>governmental activities</i> (page 5)	<u>\$ 270,094</u>
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Township of Thornapple
STATEMENT OF NET ASSETS - *proprietary funds*
March 31, 2008

	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 88,027	\$ 7,530	\$ 95,557
Receivables	<u>164,380</u>	<u>27,145</u>	<u>191,525</u>
Total current assets	<u>252,407</u>	<u>34,675</u>	<u>287,082</u>
Noncurrent assets:			
Capital assets not being depreciated - land	25,000	-	25,000
Capital assets being depreciated, net of accumulated depreciation	<u>59,114</u>	<u>554,100</u>	<u>613,214</u>
Total noncurrent assets	<u>84,114</u>	<u>554,100</u>	<u>638,214</u>
Total assets	<u>336,521</u>	<u>588,775</u>	<u>925,296</u>
LIABILITIES			
Current liabilities:			
Payables	2,494	-	2,494
Due to other funds	5,000	-	5,000
Deferred revenue	<u>7,760</u>	<u>26,825</u>	<u>34,585</u>
Total liabilities	<u>15,254</u>	<u>26,825</u>	<u>42,079</u>
NET ASSETS			
Invested in capital assets	84,114	554,100	638,214
Unrestricted	<u>237,153</u>	<u>7,850</u>	<u>245,003</u>
Total net assets	<u>\$ 321,267</u>	<u>\$ 561,950</u>	<u>\$ 883,217</u>

See notes to the financial statements

Township of Thornapple
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - *proprietary funds*
Year ended March 31, 2008

	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services, net of contractual adjustments	\$ 295,628	\$ 93,577	\$ 389,205
Other	<u>10,622</u>	<u>-</u>	<u>10,622</u>
Total operating revenues	<u>306,250</u>	<u>93,577</u>	<u>399,827</u>
OPERATING EXPENSES			
Personnel costs	208,141	9,167	217,308
Supplies	21,325	168	21,493
Contracted services	10,725	4,505	15,230
Repairs and maintenance	23,735	58,473	82,208
Insurance	25,274	3,787	29,061
Utilities	16,467	134	16,601
Bad debts	6,676	-	6,676
Miscellaneous	6,858	2,396	9,254
Depreciation	<u>25,205</u>	<u>16,900</u>	<u>42,105</u>
Total operating expenses	<u>344,406</u>	<u>95,530</u>	<u>439,936</u>
Operating loss	(38,156)	(1,953)	(40,109)
NONOPERATING REVENUE			
Interest revenue	<u>727</u>	<u>434</u>	<u>1,161</u>
LOSS BEFORE TRANSFER	(37,429)	(1,519)	(38,948)
TRANSFER IN			
Emergency Services Fund	<u>72,003</u>	<u>-</u>	<u>72,003</u>
CHANGES IN NET ASSETS	34,574	(1,519)	33,055
NET ASSETS - BEGINNING	<u>286,693</u>	<u>563,469</u>	<u>850,162</u>
NET ASSETS - ENDING	<u>\$ 321,267</u>	<u>\$ 561,950</u>	<u>\$ 883,217</u>

See notes to the financial statements

Township of Thornapple
STATEMENT OF CASH FLOWS - proprietary funds
Year ended March 31, 2008

	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 293,738	\$ 93,797	\$ 387,535
Payments to vendors and suppliers	(136,491)	(78,769)	(215,260)
Payments to employees	(175,571)	(9,167)	(184,738)
Net cash provided by (used in) operating activities	(18,324)	5,861	(12,463)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer from Emergency Services Fund	72,003	-	72,003
Repayments on interfund balances	(5,000)	-	(5,000)
Net cash provided by noncapital financing activities	67,003	-	67,003
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(19,203)	-	(19,203)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	727	434	1,161
NET INCREASE IN CASH	30,203	6,295	36,498
CASH - BEGINNING	57,824	1,235	59,059
CASH - ENDING	<u>\$ 88,027</u>	<u>\$ 7,530</u>	<u>\$ 95,557</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (38,156)	\$ (1,953)	\$ (40,109)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	25,205	16,900	42,105
Decrease in receivables	(7,996)	(26,605)	(34,601)
Increase (decrease) in:			
Payables	463	(9,306)	(8,843)
Deferred revenue	2,160	26,825	28,985
Net cash provided by (used in) operating activities	<u>\$ (18,324)</u>	<u>\$ 5,861</u>	<u>\$ (12,463)</u>

See notes to the financial statements

Township of Thornapple
STATEMENT OF FIDUCIARY NET ASSETS - *Agency Funds*
March 31, 2008

ASSETS

Cash	<u>\$ 323,352</u>
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LIABILITIES

Due to other governmental units	<u>\$ 323,352</u>
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See notes to the financial statements

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Thornapple, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for specific revenues, derived primarily from transfers from the Emergency Services Fund, that are to be expended for fire protection.

The Debt Service Fund accounts for the accumulation of resources restricted for, and the payment of, governmental debt principal, interest, and related costs.

The Emergency Services Fund accounts for specific revenues, derived primarily from property taxes, that are to be expended for the public safety functions of the Township, including both fire protection and ambulance services.

The Township reports the following major proprietary funds:

The Ambulance Fund accounts for the activities of the Township's ambulance service.

The Sewer Fund accounts for the activities of the Township's sewage collection system.

Private-sector standards of accounting issued prior to March 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports two fiduciary funds, the Agency Fund and the Tax Collection Fund, which account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the government as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	3 - 5 years
Sewer system	50 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (Continued):

vi) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had the following significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public works	\$ 119,546	\$ 190,507	\$ (70,961)
Emergency Services	General government	-	7,108	(7,108)

NOTE 3 - CASH:

The Township's cash is presented in the financial statements as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Deposits	\$ 1,030,317	\$ 95,557	\$ 323,352	\$ 1,449,226
Cash on hand	<u>125</u>	<u>-</u>	<u>-</u>	<u>125</u>
	<u>\$ 1,030,442</u>	<u>\$ 95,557</u>	<u>\$ 323,352</u>	<u>\$ 1,449,351</u>

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of March 31, 2008, \$1,219,111 of the Township's bank balances of \$1,519,111 was exposed to custodial credit risk because it was uninsured.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH (Continued):

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's funds are as follows:

	<u>Accounts</u>	<u>Property taxes</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental funds:				
General	\$ 116,589	\$ 29,766	\$ -	\$ 146,355
Fire	-	-	38,950	38,950
Debt Service	-	22,353	-	22,353
Emergency Services	-	28,382	-	28,382
Total	<u>\$ 116,589</u>	<u>\$ 80,501</u>	<u>\$ 38,950</u>	<u>\$ 236,040</u>
Noncurrent portion	<u>\$ 74,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,000</u>
Proprietary funds:				
Ambulance	\$ 164,380	\$ -	\$ -	\$ 164,380
Sewer	27,145	-	-	27,145
Total	<u>\$ 191,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,525</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 260,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,250</u>
Capital assets being depreciated:				
Buildings	2,577,517	-	-	2,577,517
Shared road costs	-	74,000	-	74,000
Equipment and vehicles	<u>1,086,492</u>	<u>22,140</u>	<u>-</u>	<u>1,108,632</u>
Subtotal	<u>3,664,009</u>	<u>96,140</u>	<u>-</u>	<u>3,686,149</u>

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities (continued):				
Less accumulated depreciation:				
Buildings	\$ (303,843)	\$ (64,438)	\$ -	\$ (368,281)
Shared road costs	-	(308)	-	(308)
Equipment and vehicles	<u>(345,153)</u>	<u>(65,774)</u>	<u>-</u>	<u>(410,927)</u>
Subtotal	<u>(648,996)</u>	<u>(130,520)</u>	<u>-</u>	<u>(779,516)</u>
Total capital assets being depreciated, net	<u>3,015,013</u>	<u>(34,380)</u>	<u>-</u>	<u>2,980,633</u>
Governmental activities capital assets, net	<u>\$ 3,275,263</u>	<u>\$ (34,380)</u>	<u>\$ -</u>	<u>\$ 3,240,883</u>
Business-type activities:				
Capital assets not being depreciated - land	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>
Capital assets being depreciated:				
Sewer system	844,994	-	-	844,994
Vehicles and equipment	<u>259,208</u>	<u>19,203</u>	<u>-</u>	<u>278,411</u>
Subtotal	<u>1,104,202</u>	<u>19,203</u>	<u>-</u>	<u>1,123,405</u>
Less accumulated depreciation:				
Sewer system	(273,994)	(16,900)	-	(290,894)
Vehicles and equipment	<u>(194,092)</u>	<u>(25,205)</u>	<u>-</u>	<u>(219,297)</u>
Subtotal	<u>(468,086)</u>	<u>(42,105)</u>	<u>-</u>	<u>(510,191)</u>
Total capital assets being depreciated, net	<u>636,116</u>	<u>(22,902)</u>	<u>-</u>	<u>613,214</u>
Business-type activities capital assets, net	<u>\$ 661,116</u>	<u>\$ (22,902)</u>	<u>\$ -</u>	<u>\$ 638,214</u>

Depreciation expense was charged to the Township's governmental functions as follows:

Governmental activities:	
General government	\$ 13,287
Public works	308
Public safety	<u>116,925</u>
Total	<u>\$ 130,520</u>

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES:

At March 31, 2008, noncurrent liabilities are comprised of the following individual issue:

Governmental activities - bonds

\$2,275,000 2003 Limited Tax General Obligation Bonds; due in annual installments of \$75,000 to \$350,000 plus interest, ranging from 2.00% to 3.35%, through November 2013. \$ 1,725,000

Noncurrent liability activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
2003 Bonds	<u>\$ 1,925,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ 1,725,000</u>	<u>\$ 225,000</u>

At March 31, 2008, debt service requirements were as follows:

<u>Year ended March 31:</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 225,000	\$ 54,524
2010	250,000	48,224
2011	275,000	40,412
2012	300,000	31,888
2013 - 2014	<u>675,000</u>	<u>34,013</u>
Totals	<u>\$ 1,725,000</u>	<u>\$ 209,061</u>

NOTE 7 - PAYABLES:

Payables as of year end for the Township's funds are as follows:

	<u>Accounts</u>	<u>Inter- govern- mental</u>	<u>Total</u>
Governmental funds:			
General	\$ 11,509	\$ 74,000	\$ 85,509
Fire	<u>42,693</u>	<u>-</u>	<u>42,693</u>
Total	<u>\$ 54,202</u>	<u>\$ 74,000</u>	<u>\$ 128,202</u>
Proprietary funds -			
Ambulance	<u>\$ 2,494</u>	<u>\$ -</u>	<u>\$ 2,494</u>

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At March 31, 2008, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
Fire	\$ 5,000	Ambulance	\$ 5,000
General	<u>29,533</u>	Fire	<u>29,533</u>
Totals	<u>\$ 34,533</u>	Totals	<u>\$ 34,533</u>

The balance due to the Fire Fund represents a loan for a capital asset acquisition in prior years. The balance owed to the General Fund represents temporary cash flow assistance in a prior year.

The interfund transfers for the year ended March 31, 2008, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Fire	\$ 227,840	Emergency Services	\$ 227,840
Ambulance	<u>72,003</u>	Emergency Services	<u>72,003</u>
Totals	<u>\$ 299,843</u>	Totals	<u>\$ 299,843</u>

This transfer moved unrestricted revenues, collected in the Emergency Services Fund, to the Fire Fund and the Ambulance Fund to finance fire protection services and ambulance service operating costs.

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all of its full-time and regular part-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a 90-day waiting period. The Township contributes to the plan an amount equal to 6% of the compensation of union employees and 5% of the compensation of nonunion employees. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$21,174 for the year ended March 31, 2008.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - JOINT VENTURE:

The Township is a participant in the Thornapple Area Parks and Recreation Commission (the Commission) along with the Village of Middleville (the Village) and the Thornapple Kellogg School District (the School District). The Administrative Board of the Commission consists of members appointed by each participating unit. The Commission was formed for the purpose of providing recreation services to the Thornapple area. The Township has no equity interest in the Commission; therefore, financial information of the Commission has not been included in the Township's financial statements.

Costs of operations and capital asset acquisitions of the Commission are supported by contributions from the Township, the Village, and the School District, each of which contributes one third of the Commission's budget. During the year ended March 31, 2008, the Township paid the Commission \$3,000.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Thornapple
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 327,750	\$ 327,750	\$ 307,982	\$ (19,768)
State grants	279,000	273,005	276,348	3,343
Charges for services	16,800	16,800	17,548	748
Interest	6,200	6,200	27,970	21,770
Other	<u>27,000</u>	<u>27,000</u>	<u>26,136</u>	<u>(864)</u>
Total revenues	<u>656,750</u>	<u>650,755</u>	<u>655,984</u>	<u>5,229</u>
EXPENDITURES				
Legislative	11,450	11,450	9,937	1,513
General government	405,420	413,520	400,092	13,428
Public works	111,657	119,546	190,507	(70,961)
Community and economic development	74,500	70,300	64,740	5,560
Capital outlay	<u>21,100</u>	<u>17,100</u>	<u>16,159</u>	<u>941</u>
Total expenditures	<u>624,127</u>	<u>631,916</u>	<u>681,435</u>	<u>(49,519)</u>
NET CHANGES IN FUND BALANCES	32,623	18,839	(25,451)	(44,290)
FUND BALANCES - BEGINNING	<u>588,781</u>	<u>588,781</u>	<u>588,781</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 621,404</u>	<u>\$ 607,620</u>	<u>\$ 563,330</u>	<u>\$ (44,290)</u>

Township of Thornapple
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Federal grants	\$ -	\$ 115,342	\$ 106,011	\$ (9,331)
Charges for services	135,765	135,765	140,780	5,015
Interest	1,000	1,000	1,849	849
Other	<u>400</u>	<u>400</u>	<u>6,803</u>	<u>6,403</u>
Total revenues	<u>137,165</u>	<u>252,507</u>	<u>255,443</u>	<u>2,936</u>
EXPENDITURES				
Public safety	394,950	436,650	423,484	13,166
Capital outlay	<u>26,500</u>	<u>74,000</u>	<u>70,899</u>	<u>3,101</u>
Total expenditures	<u>421,450</u>	<u>510,650</u>	<u>494,383</u>	<u>16,267</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(284,285)	(258,143)	(238,940)	19,203
OTHER FINANCING SOURCES				
Transfers in - Emergency Services Fund	<u>288,000</u>	<u>288,000</u>	<u>227,840</u>	<u>(60,160)</u>
NET CHANGES IN FUND BALANCES	3,715	29,857	(11,100)	(40,957)
FUND BALANCES - BEGINNING	<u>149,373</u>	<u>149,373</u>	<u>149,373</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 153,088</u>	<u>\$ 179,230</u>	<u>\$ 138,273</u>	<u>\$ (40,957)</u>

Township of Thornapple**BUDGETARY COMPARISON SCHEDULE - Emergency Services Fund**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 360,000	\$ 360,000	\$ 366,031	\$ 6,031
Interest	-	-	229	229
Other	-	-	530	530
	<u>360,000</u>	<u>360,000</u>	<u>366,790</u>	<u>6,790</u>
EXPENDITURES				
General government	-	-	7,108	(7,108)
Capital outlay	-	22,000	22,132	(132)
	<u>-</u>	<u>22,000</u>	<u>29,240</u>	<u>(7,240)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>360,000</u>	<u>338,000</u>	<u>337,550</u>	<u>(450)</u>
OTHER FINANCING USES				
Transfers out:				
Fire Fund	(288,000)	(288,000)	(227,840)	60,160
Ambulance Fund	(72,000)	(72,000)	(72,003)	(3)
	<u>(360,000)</u>	<u>(360,000)</u>	<u>(299,843)</u>	<u>60,157</u>
NET CHANGES IN FUND BALANCES	-	(22,000)	37,707	59,707
FUND BALANCES - BEGINNING	<u>34,735</u>	<u>34,735</u>	<u>34,735</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 34,735</u>	<u>\$ 12,735</u>	<u>\$ 72,442</u>	<u>\$ 59,707</u>

August 5, 2008

To the Board of Trustees
Township of Thornapple

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Thornapple for the year ended March 31, 2008, and have issued our report thereon dated August 5, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 11, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Thornapple are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township of Thornapple during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Cannon's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Township of Thornapple as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Cannon's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

- At March 31, 2008, the Township had not reconciled the cash held by the Tax Fund to amounts owed to other funds and other governmental units. The Township should establish procedures to ensure that the correct amounts are paid to the proper taxing authorities in a timely manner and that the cash held by the Tax Fund is reconciled to amounts owed to the various taxing authorities.
- The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Thornapple and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.